



# Kingfisher plc Prelim Results

Year ended  
2 February 2013

BETTER  
HOMES,  
BETTER  
LIVES

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**Ian Cheshire**

Group Chief Executive

# Agenda

Introduction

**Ian Cheshire**  
Chief Executive

Financial review

**Karen Witts**  
Finance Director

Creating the Leader

**Ian Cheshire**  
Chief Executive

Questions

# New organisational structure, complete from March 2013 – Group Executive



# New organisational structure, complete from March 2013 – Group Operating Board



# 2012/13 Summary

- Tough year, adjusted PBT down 11% impacted by:
  - Consumer uncertainty (macro, Euro, French elections)
  - Declining LFL markets in our 3 key territories
  - £39m from 7% fall in the Euro, 7% fall in the Zloty
  - c.£25m from UK weather
- ‘Creating the Leader’ programme well underway, on-going self-help initiatives supported our results
  - Cost efficiencies
  - Sales outperformed markets, higher share across Europe
  - Positive KEP<sup>(1)</sup>
  - Strong free cash flow generation of £330m, annual dividend up 7%



**Karen Witts**

Group Finance Director



# Financial summary



	2012/13	2011/12	% Change
Sales (£m)	10,573	10,831	+0.5% <sup>(1)</sup>
Adjusted PBT (£m) <sup>(2)</sup>	715	807	(11.4)%
Adjusted basic EPS (p) <sup>(2)</sup>	22.3	25.1	(11.2)%
Free cash flow (£m)	330	367	(10.0)%
Reported net cash/(financial net debt) (£m)	38	(88)	n/a
KEP (£m)	44	131	n/a
Dividend	9.46p	8.84p	+7.0%

<sup>(1)</sup> In constant currencies on a 52 week basis

<sup>(2)</sup> Before exceptional items, IAS39, amortisation of acquisition intangibles, related tax items and tax on prior year items



# France – profit maintained and margin growth despite soft markets

- 2% new space
- Gross margins benefiting from on-going self-help offset by pricing investment
- Both businesses taking share
  - Castorama - driven by 'Do-it-Smart' approach
  - Brico Dépôt - driven by new ranges and strong value credentials

	Sales	+2.0%
	LFL	(0.5)%
	Sales	(1.7)%
	LFL	(2.8)%
Total France	Sales	+0.3%
	LFL	(1.6)%
	GM	+10bps
	Retail Profit	+0.2%

# UK & Ireland – B&Q sales down in challenging markets; Screwfix model working well

- B&Q
  - Adverse weather
    - Seasonal sales down 9%
    - Profit impact c.£25m
  - Accelerated range change
  - Higher mix of 'TradePoint' sales
  - B&Q Ireland loss €9m
- Screwfix
  - 60 new outlets
  - 'Click, pay & collect' now 8% of total sales

	Sales	(3.6)% <sup>(1)</sup>
	LFL	(5.6)%
	GM	(20)bps
	Retail profit	(20.8)%
	Sales	+9.8% <sup>(1)</sup>
	Retail profit	+33.9%
Total UK & Ireland	Sales	(2.0)% <sup>(1)</sup>
	LFL	(5.2)%
	Retail Profit	(13.8)%

# Other International – sales growth driven by store openings and Russia



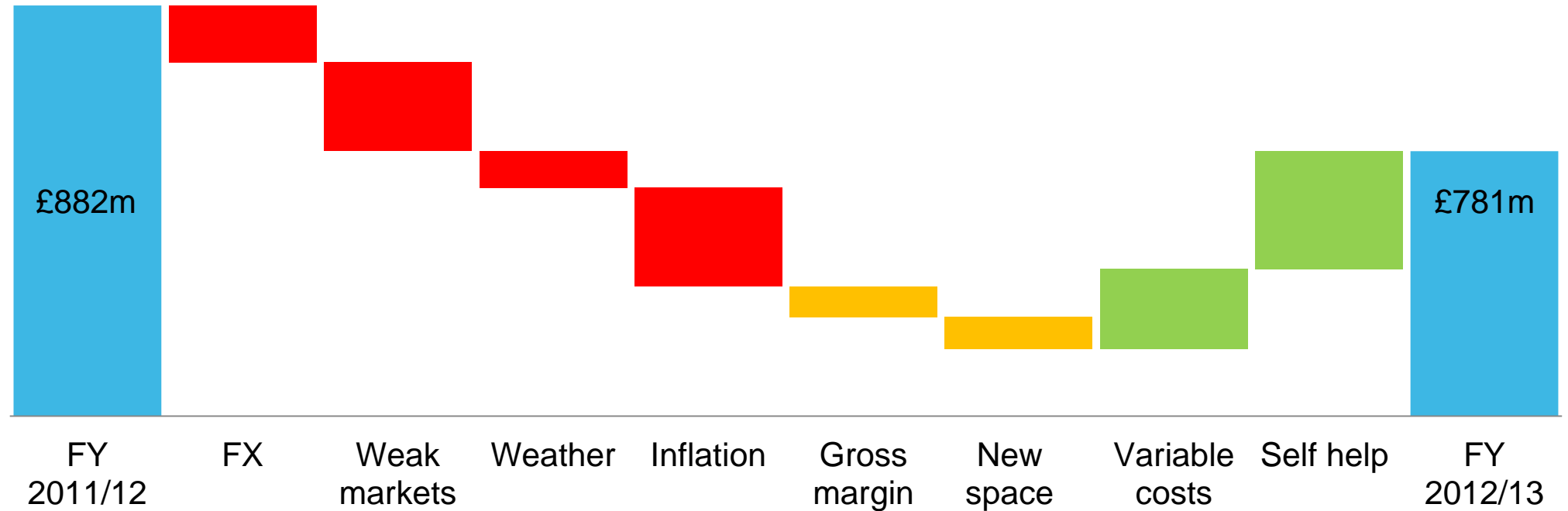
- Soft markets excluding Russia
- Russia now the second largest business in the division
- 3% new space
- Poland gross margins down reflecting on-going self-help offset by price investment
- B&Q China losses reflecting lower rental income & new format store trial

	Sales (%)	LFL (%)	Retail profit (£m)
Poland	+0.6%	(5.1)%	107
Russia	+38.3%	+17.9%	16
Spain	+3.0%	(6.8)%	1
Turkey <sup>(1)</sup>	+4.1%	(4.1)%	9
China	(0.8)%	+0.1%	(9)
Hornbach <sup>(2)</sup>	n/a	n/a	26
<b>Total</b>	<b>+6.6%</b>	<b>(0.7)%</b>	<b>150</b>

<sup>(1)</sup> Joint Venture sales are not consolidated

<sup>(2)</sup> Associate sales are neither consolidated nor controlled therefore not applicable

## Retail profit drivers across the year



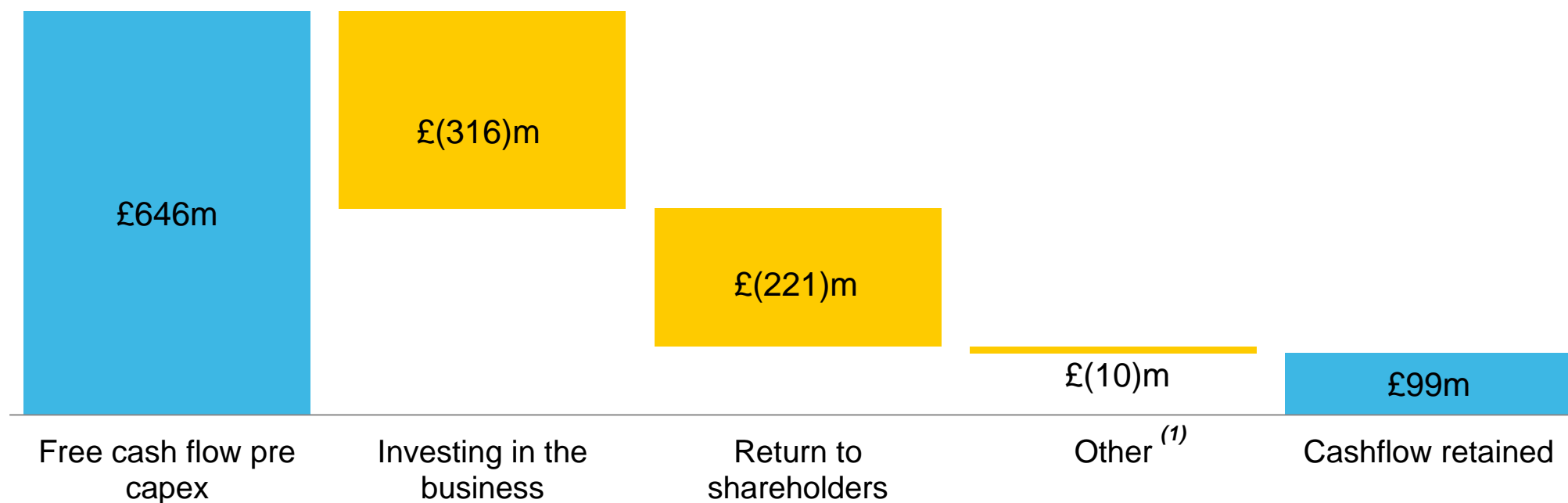
## Key financials continued

		2012/13	2011/12	% Change
Effective tax rate <sup>(1)</sup>		27%	28%	n/a
Post tax exceptional items (£m)				
• H1 £(5)m		£(25)m	£(5)m	n/a
• H2 £(20)m inc. B&Q Ireland restructuring <sup>(2)</sup>				
Dividends	Interim	3.09p	2.47p	+25.1%
	Final	6.37p	6.37p	Flat
	Total full year	9.46p	8.84p	+7.0%
	Cover	2.4x	2.8x	(0.4) times

<sup>(1)</sup> Before exceptional items and tax on prior year items

<sup>(2)</sup> Total cash outflow in FY 2013/14 expected to be around £11 million

# Use of cash – investing in the business and dividend growth for shareholders



<sup>(1)</sup> Includes dividends received from JVs and associates, business acquisitions, issue of shares and exceptional items (excluding property disposals)

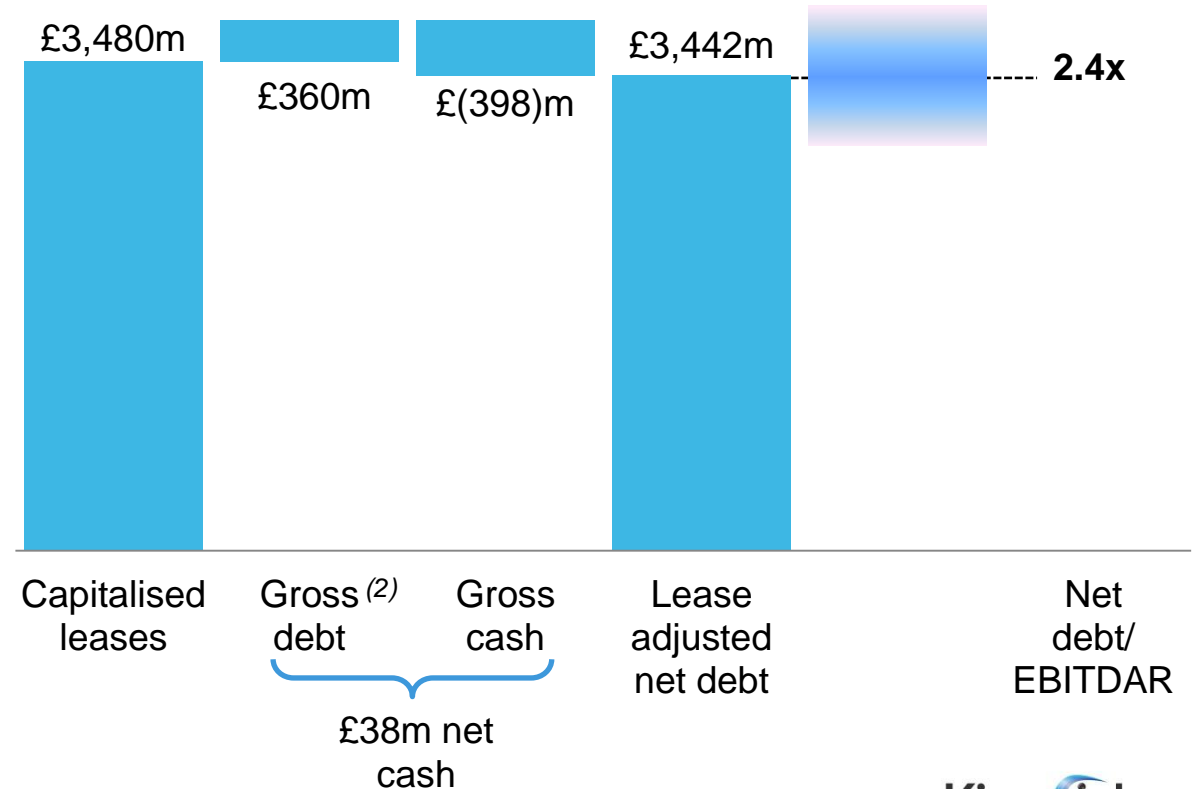
# Principles for the use of future cash

- Maintaining a strong balance sheet
- Investing in the business where returns are attractive
- Returns to shareholders
  - Healthy annual dividend
  - Return surplus capital via share buyback or special dividend



# 1. Maintaining a strong balance sheet

- Financial flexibility
  - Retain a solid investment grade credit rating
  - Target the metrics for BBB flat
- At neutral financial net debt our balance sheet still has significant leverage
  - c. 2/3 of our stores are leased
  - Adjusted net debt/EBITDAR is 2.4 times<sup>(1)</sup>



<sup>(1)</sup> See Net debt/EBITDAR reconciliation in appendix for definitions

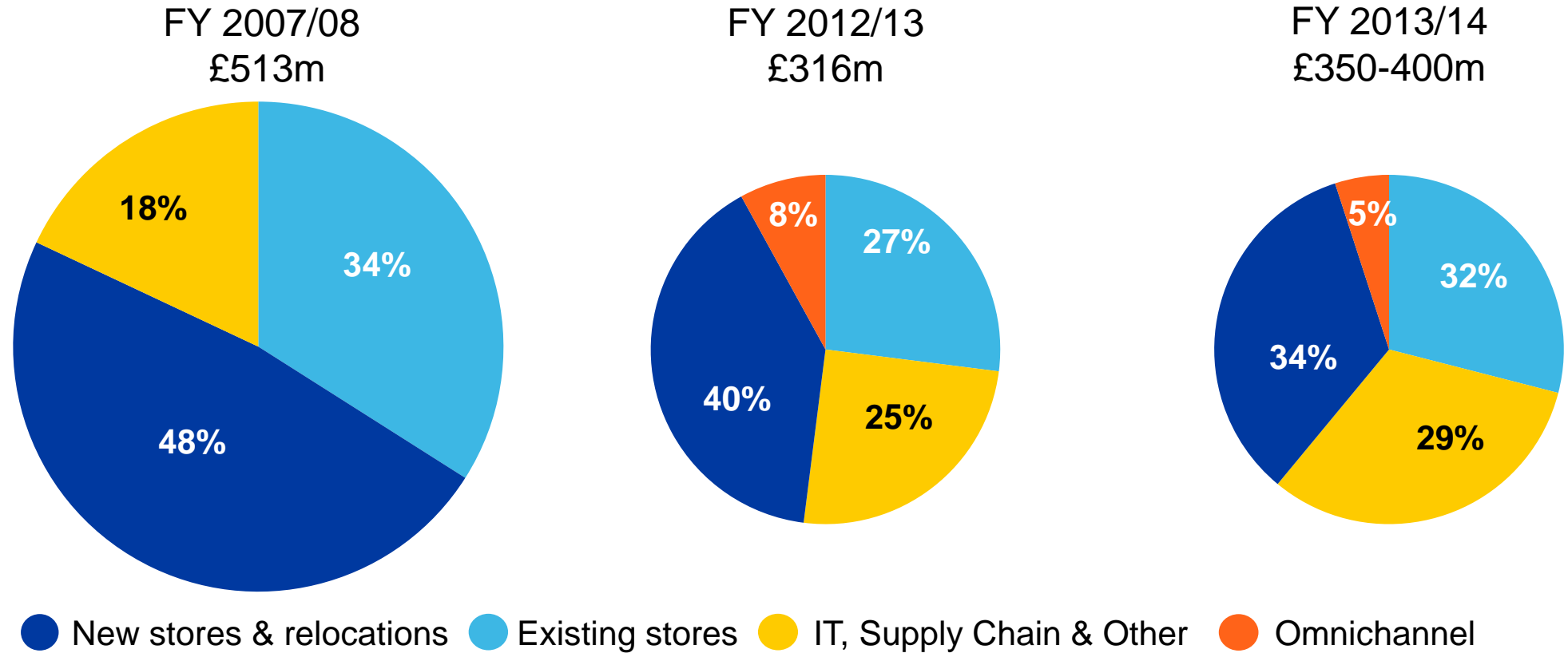
<sup>(2)</sup> Includes derivatives

## 2. Investing in the business – robust approach



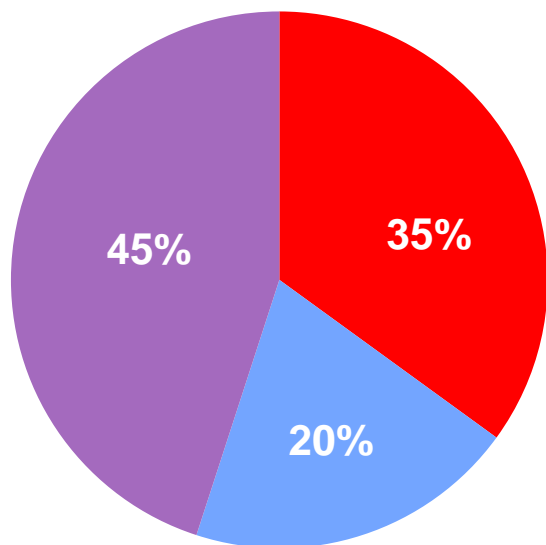
<sup>(1)</sup> Capital Expenditure Committee consists of Group CEO, Group FD, CEO Group Productivity & Development, Group Property Director and Group General Counsel

## Capex has fallen and spend mix has evolved...

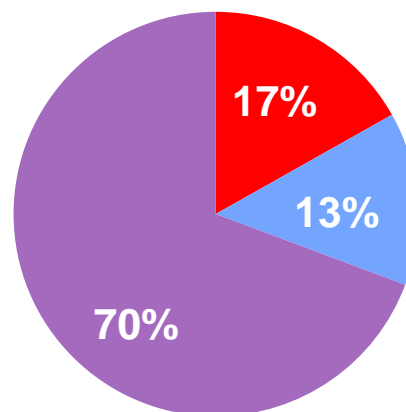


...targeting new store spend only where returns are attractive

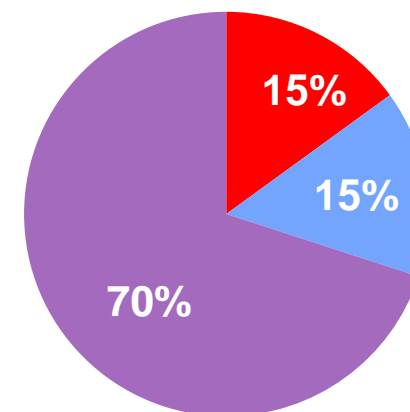
FY 2007/08  
£218m<sup>(1)</sup>



FY 2012/13  
£96m<sup>(1)</sup>



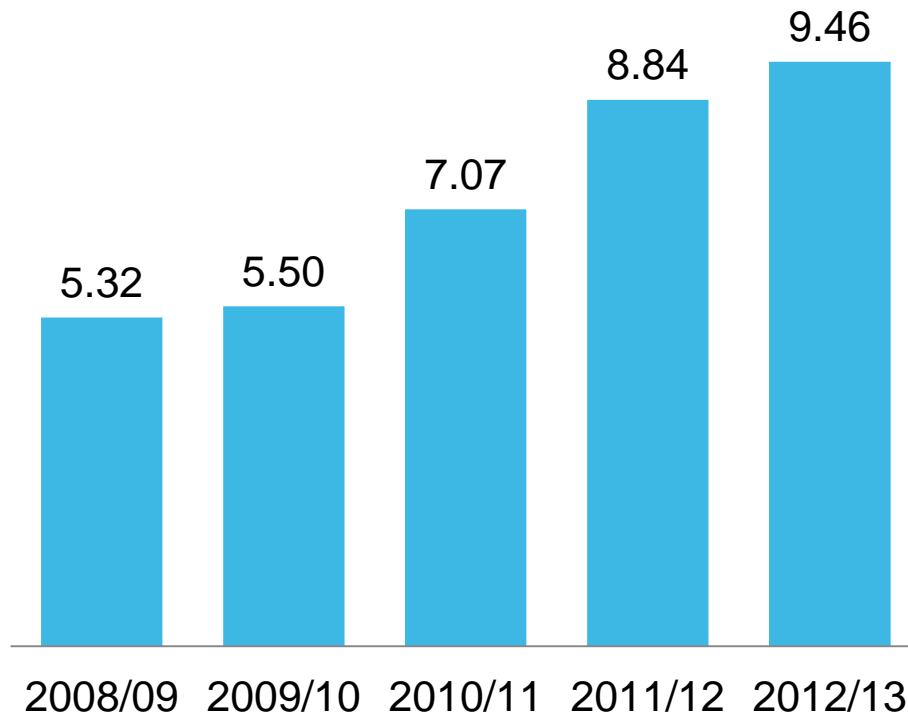
FY 2013/14  
c. £100m<sup>(1)</sup>



● Other international ● UK & Ireland ● France

### 3. Returns to shareholders – healthy annual dividend

Dividends per share (pence)



***“Kingfisher will aim to move towards a medium term annual dividend cover of around 2.5 times which is consistent with the cash generation of our business and our capital needs”***

# Return surplus capital via share buyback or special dividend

- Surplus capital arises when the balance sheet moves from 'strong' to 'over prudent'
  - Better than BBB flat metrics
  - Stable or growing economic environment
  - Key Spring/Summer season performance known
  - More than sufficient flexibility
- No surplus as at 2 February 2013, but kept under close review

## 2012/13 summary

- Tough year, self help supporting performance
- Strong free cash flow, robust balance sheet and KEP positive
- Clear approach to the use of cash



**Ian Cheshire**

Group Chief Executive



‘Creating the Leader’

BETTER  
HOMES,  
BETTER  
LIVES

# ‘Creating the Leader’



1. Making it easier for customers to improve their home
2. Giving our customers more ways to shop



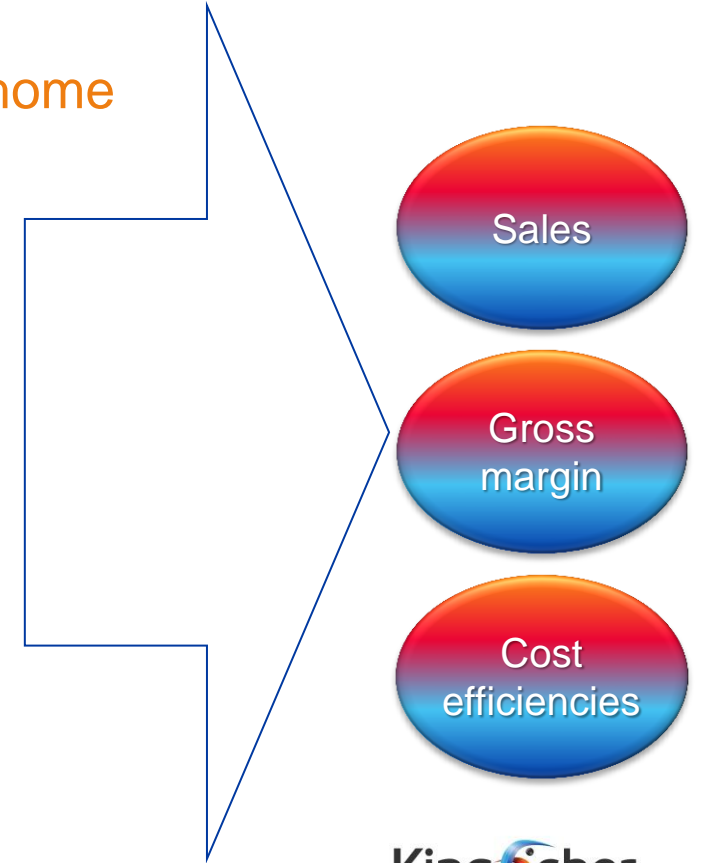
3. Building innovative common brands
4. Driving efficiency and effectiveness everywhere



5. Growing our presence in existing markets
6. Expanding in new and developing markets



7. Developing leaders and connecting people
8. Sustainability: becoming ‘Net Positive’



CREATING  
THE  
LEADER  
EASIER

INSPIRATION  
RANGE  
CONFIDENCE  
AFFORDABLE  
OMNI-CHANNEL  
CHOICE  
TECHNOLOGY  
HELPFUL  
EDUCATION  
ADVANCE  
IDEAS  
EFFECTIVE  
AVAILABILITY  
ACCESSIBLE  
SIMPLICITY  
CONVENIENT  
RESEARCH

Easier

## 2012/13 milestones

To do list:

1. Complete UK roll out of DIY training classes ✓
2. Launch B&Q YouTube channel ✓
3. Test new formats in France, UK, Turkey, Russia & China ✓
4. Prepare for the UK's 'Green Deal' ✓
5. Launch Screwfix mobile 'click, pay & collect' offer ✓
6. Develop a Group omnichannel platform and implement first in 'TradePoint' ✓
7. Upgrade B&Q's on-line offer ✓
8. Trial 'click & collect' in Castorama France ~~WIP~~



Kingfisher

# EDLP<sup>(1)</sup>+ strategy on kitchens, bathrooms and bedrooms

**B&Q**

Easier

- Aim
  - Make this traditionally 'hi-low' priced category easier for customers
  - Drive a smoother sales profile across the year
  - Improve category profitability and KEP
- Total cash sales<sup>(2)</sup> up YOY, continuing to gain market share<sup>(3)</sup>
- 90,000 unique visitors to 'Kitchen-compare.com'<sup>(4)</sup> and competitor set extended
- 'Bathroom-compare.com'<sup>(4)</sup> recently launched



<sup>(1)</sup> Every Day Low Prices

<sup>(2)</sup> Cash sales are recognised as sales when the products are delivered to the customer

<sup>(3)</sup> As per GfK data

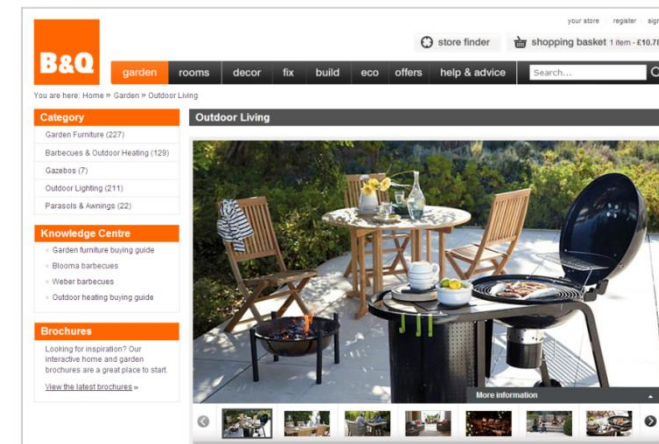
<sup>(4)</sup> Independently managed by Insight Retail Limited



# Screwfix leading the way on omnichannel – TradePoint going live 24/7



- Screwfix 'click, pay & collect' sales already 8% of total sales
- First implementation of Group omnichannel platform launching in B&Q's 'TradePoint'
  - **www.trade-point.co.uk** transactional on 6,000 largely Screwfix products
  - Entire price file available on-line to help trade customers plan and quote jobs
  - Delivery primarily by Screwfix distribution network
  - Further ranges will be added across the year alongside B&Q [www.diy.com](http://www.diy.com) upgrade
  - Mobile 'click, pay & collect' offer due later this year



TradePoint video

Easier

## 2013/14 milestones

### To do list - Affordability:

1. Launch 'handy prices' in B&Q
2. Brico Dépôt 'back to basics' marketing campaign
3. Extend Brico Dépôt France & Spain programme of 'arrivages'<sup>(1)</sup> to Turkey & Poland
4. Launch UK Enterprise Finance Guarantee scheme for tradesmen



Handy Prices  
to help you do it





Easier

## 2013/14 milestones

### To do list - Omnichannel:

1. UK multi-channel offer:
  - Launch upgraded B&Q on-line offer ([www.diy.com](http://www.diy.com)), including 20,000 extra products for home delivery (using Screwfix omnichannel infrastructure)
  - Extend TradePoint website to main shop floor categories e.g. kitchens
2. Launch upgraded websites in Poland, Turkey, China, Brico Dépôt France & Spain
3. Trial 'click & collect' in Castorama France & Turkey



CREATING  
THE  
LEADER  
COMMON

INNOVATION  
WORLD'S BEST  
PRODUCTS  
EFFICIENCY  
EXCLUSIVE BRANDS  
LOCAL MARKETS  
UNIQUE CUSTOMER  
CHOICE  
DIVERSE  
INTERNATIONAL  
SCALE  
LOCAL  
PRODUCTIVITY  
TASTE  
EXCLUSIVE  
DIRECT  
SOURCING  
STRONGER  
TOGETHER

## 2012/13 milestones

*To do list:*

1. 18% of sales to be direct sourced ✓
2. 7% of sales to be common ✓
3. Double direct sourcing in our developing markets (Poland, Russia, Turkey & China) ✗
4. Extend 'Trade' common own brands in Screwfix and Brico Dépôt ✓
5. Develop a Group-wide stock forecasting and replenishment IT solution, implement first in B&Q UK ✓
6. GNFR<sup>(1)</sup> savings from European-wide supply negotiations including marketing catalogue printing and store fixture and fittings costs ✓



# Sourcing initiatives update

- Achieved 8%<sup>(1)</sup> common and 19%<sup>(1)</sup> direct sourcing targets
  - More than 9,000 common products
  - Building and Seasonal Products more than 10% common
- Direct sourcing in our developing markets up 63%

blooma  blyss

Kingfisher

<sup>(1)</sup> As a % of Group sales

Common product definition:

Same product or; similar product from the same supplier where the same product is not possible due to market/legal reasons (e.g. Electrical extension cable same supplier but different sockets)

# Trade common own brands continue to expand

SCREWFIX

BRICO  
DÉPÔT

Common

ENERGER

- Brico Dépôt's OPP<sup>(1)</sup> 'Energer' power tool range launched in Screwfix
  - Launched in January, range to be extended in 2013
  - Good early signs
  - Retail prices 11% cheaper than previous range
- 'SITE' brand Work wear
  - Better product at lower prices for customers
  - Full range launched in Screwfix, replacing previous brands
    - Big range, now 1/4 of work wear sales
    - Sales +26%, cash margin +30%
    - 65% direct sourced and increasing
  - Full launch also planned for 2013 in Brico Dépôt following successful trials



## B&Q new tiling range

- Now an easier range to shop
  - Range choice reduced from c3,000 to 600 products
  - 100% takeaway with no special order
  - Sample tiles incorporated, proving popular
- Good results so far
  - Grown market share<sup>(1)</sup>
  - Positive LFL in a weak market<sup>(1)</sup> since H1
  - Castorama France & B&Q already share same best sellers
  - Merchandised as successful Castorama 4 'style houses'





# 2013/14 milestones

iQE™  
Clever Energy

Common

## To do list - Product:

1. Launch new energy-efficiency 'iQE' Group brand
2. Paint (c.9% of Group sales)
  - Roll out 'colours' Group own-brand paint into Russia & Spain
  - Roll out new coloured emulsion paint range - 2/3 common B&Q UK & Castorama France
  - Launch exclusive Valspar paint mixing desk into B&Q and China
3. Full launch of Site work wear into Brico Dépôt
4. Launch inaugural European product show, to be attended by 6,000 store & buying colleagues' teams from the UK & France



One TEAM  
PRODUCT  
SHOW  
LILLE 2013

Kingfisher

## 2013/14 milestones

### To do list - Efficiency:

1. Upweighted distribution and cross docking capability in Poland, Spain & Turkey
2. SG&A<sup>(1)</sup> optimisation from media buying programmes across the UK & France
3. Extend Brico Dépôt shelf ready packaging from 20% to 30%
4. Roll out France & Spain all staff bonus programmes to Poland (linked to individual store sales & profit growth)
5. IT process mapping analysis at Castorama France in readiness for Group SAP implementation





CREATING  
THE  
LEADER  
EXPAND

CONSUMER REACH  
GROWTH  
KINGFISHER ECONOMIC PROFIT  
HIGHER  
RETURNS  
INFILL FLEXIBILITY  
TOMNI-CHANNEL  
BIG BOX  
NEW TERRITORIES  
AMBITION  
R  
A  
D  
E  
INTERNATIONAL  
CAPABILITY  
LOCAL  
EXPERTISE

## 2012/13 milestones

To do list:

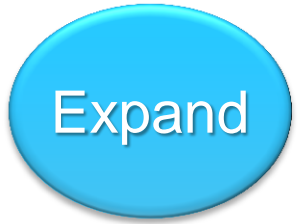
1. Open 67 net new stores (UK 50, France 2, Poland 6, Russia 2, Turkey 4 & Spain 3)  
- 70 net new stores opened (UK 61<sup>(1)</sup>, France 2, Poland 3, Russia 1, Turkey 1, Spain 3 & 1 less in China)
2. Revamp and extend 5 Castorama France stores
3. Test a 'DFM' <sup>(2)</sup> store model in China



<sup>(1)</sup> 60 were Screwfix outlets

<sup>(2)</sup> Do it for me

# China small Design Centre trial store opening now in central Shanghai



- 4,000m2 (versus c.10,000m2 previously)
- Up-weighted offer (service, product, room & apartment displays)
- Improved omnichannel capability
- Stock held in central distribution hub for home delivery
- Early days












## B&Q UK rightsizing

- One freehold store already completed
  - Store reduced in size by 50% (13,000m<sup>2</sup> to 6,500m<sup>2</sup>)
  - Sales density improvement of 88%
  - Planning permission took 12 months
  - Capital value increase following change of use
- Further opportunities being investigated
  - 4 further agreements already in place
  - Now awaiting planning permission (c.6-18 months)
- 5 store package represents c.£30m reduction to lease adjusted debt
- KEP attractive





## 2013/14 milestones

		Stores FY12/13	M2 Store space at Jan 2013	New stores 2013/14	% Space growth 2013/14
UK & Ireland		633	2,581	50 <sup>(1)</sup>	+0.1%
France		207	1,661	5	+3% <sup>(2)</sup>
Poland		70	513	2	+4%
Turkey		37	194	4	+12%
Russia		19	170	1	+5%
China		39	326	0	(3)%
Spain		20	116	6	+34%
		1,025	5,561	68	3%

*To do list:*

1. 3% space growth
2. Evaluate Screwfix international opportunities

<sup>(1)</sup> Screwfix outlets

<sup>(2)</sup> French space growth includes four Castorama revamps

CREATING  
THE  
LEADER  
ONE TEAM

ACADEMY  
DEVELOPING  
LEADERS  
RECRUITMENT  
CONNECTING  
PEOPLE  
HARNESS  
T  
A  
L  
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N  
T  
RETENTION  
ENGAGEMENT  
AMBITION  
COLLABORATION  
NET  
POSITIVE  
DIVERSITY  
FORCE  
FOR GOOD  
SKILLS  
MOBILITY  
POSITIVE  
IMPACT

## 2012/13 milestones

### *To do list:*

1. *Launch the Kingfisher Academy* ✓
2. *Launch 'Net Positive' and associated dashboard* ✓

Eco is going mainstream

ECO IS GOING MAINSTREAM <sup>(1)</sup>

Making homes eco-friendly is an increasingly important factor for consumers across Europe, with 32% saying it is "very important" to them.





## ‘Net Positive’

- Net Positive Dashboard to be updated annually
- Continued leadership in SRI Indexes



FTSE4Good



**Dow Jones  
Sustainability Indexes**  
Member 2012/13



# 2012/13 Summary & Outlook

- Tough year
- Self help continues to support trading
- 'Creating the Leader' well underway
- Challenging economic backdrop persists
  - In robust shape
  - Remain focused on cash generation, KEP and shareholder value
- Excellent prospects

# Cautionary note regarding forward-looking statements

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THIS PRESENTATION CONTAINS FORWARD-LOOKING STATEMENTS, WHICH SHOULD BE CONSIDERED, AMONGST OTHER STATUTORY PROVISIONS, IN LIGHT OF THE SAFE HARBOUR PROVISIONS OF THE UNITED STATES PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. ALL STATEMENTS OTHER THAN STATEMENTS OF HISTORICAL FACTS MAY BE FORWARD-LOOKING STATEMENTS. SUCH STATEMENTS ARE, THEREFORE, SUBJECT TO RISKS, ASSUMPTIONS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE EXPRESSED OR IMPLIED BECAUSE THEY RELATE TO FUTURE EVENTS. THESE FORWARD LOOKING STATEMENTS INCLUDE, BUT ARE NOT LIMITED TO, STATEMENTS RELATING TO THE COMPANY'S EXPECTATIONS AROUND THE COMPANY'S PROGRAMME KNOWN AS 'CREATING THE LEADER' AND ITS ASSOCIATED EIGHT STEPS.

FORWARD-LOOKING STATEMENTS CAN BE IDENTIFIED BY THE USE OF RELEVANT TERMINOLOGY INCLUDING THE WORDS: "BELIEVES", "ESTIMATES", "ANTICIPATES", "EXPECTS", "INTENDS", "PLANS", "GOAL", "TARGET", "AIM", "MAY", "WILL", "WOULD", "COULD" OR "SHOULD" OR, IN EACH CASE, THEIR NEGATIVE OR OTHER VARIATIONS OR COMPARABLE TERMINOLOGY AND INCLUDE ALL MATTERS THAT ARE NOT HISTORICAL FACTS. OTHER FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE ESTIMATED BY THE FORWARD-LOOKING STATEMENTS INCLUDE, BUT ARE NOT LIMITED TO, GLOBAL ECONOMIC BUSINESS CONDITIONS, MONETARY AND INTEREST RATE POLICIES, FOREIGN CURRENCY EXCHANGE RATES, EQUITY AND PROPERTY PRICES, THE IMPACT OF COMPETITION, INFLATION AND DEFLATION, CHANGES TO REGULATIONS, TAXES AND LEGISLATION, CHANGES TO CONSUMER SAVING AND SPENDING HABITS AND OUR SUCCESS IN MANAGING THESE FACTORS.

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Questions